

16 September 1960

Dear Dick:

Financial Progress Report #12

The attached cost curve reflects the change in expected commitments required under the new schedule.

There are many confusing elements in the cost picture, some of which I discussed with John yesterday. There has been a gradual buildup in the number of items, normally GFE, on which we must contract for the development and procurement. This is due to the fact that, after the cancellation of the F-108 and the B-70, these items have not been developed so that the Air Force can furnish them in the normal manner under which we operated on the U-2 program.

We are finding consistently that our vendors are exceeding their costs by substantial amounts, as in the case of [REDACTED] where the price almost doubled.

For the aircraft construction itself, we are running into fantastic machining and material costs, to the point where this week I have set up a special group to engage in basic research in the cutting of titanium metal, with an aim toward increasing the rate of metal removal to 200% of its present rate within 2 to 3 months, and by a factor of ten within 5 to 6 months. We have investigated all sources available to us, such as Pratt & Whitney and a host of machine shops here and in the east (including TMC and [REDACTED]). And we have investigated reports prepared by the Air Force, Battelle and others.

Our current rate of machining is roughly 5% of that of aluminum. The best machine shops we can get are not exceeding this figure, and some refuse to take jobs involving the use of this high strength material. In the extrusion area alone, we are working on a machining bill that is over [REDACTED] and, should we be able to make any important inroads into this problem, there are important savings to be obtained. We are now wording our contracts with outside vendors in such a way that, should we find means of improving the metal cutting rate, we will have some recourse in recapturing costs. We will distribute widely, of course, any developments we might come up with in this situation.

To further cover the possibilities of improved machine rates, we are releasing to vendors only half of the total quantity required in machined parts, asking for unit costs equal to what they would be if we ordered the

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whole amount. In many cases, our vendors have accepted this condition, having faith that we can obtain a better learning curve than we have been able to get to date.

I wish there were something easy about this beast, but we're not finding many places that are.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kelly".

cc: J. P. (2) ✓  
Encl.

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